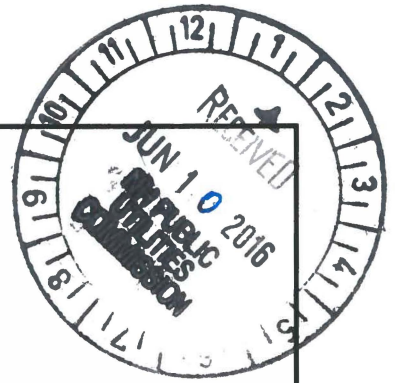


STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION



April 7, 2016 - 1:38 p.m.
Concord, New Hampshire



ORIGINAL

**RE: DW 16-123
AQUARION WATER COMPANY OF NH
PETITION FOR MONTHLY BILLING
Prehearing Conference**

PRESENT:

Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES:

Reptg. AQUARION WATER COMPANY OF NH:
Marcia A. Brown, Esq. (Rath, Young...)

Reptg. TOWN OF HAMPTON:
Mark S. Gearreald, Esq.

Reptg. THE PUBLIC:
Nicholas Cicale, Esq.
(Office of Consumer Advocate)

Reptg. COMMISSION STAFF:
Rorie Patterson, Esq.
Mark Naylor (Gas & Elec. Div.)
Robyn Descoteau (Gas & Elec. Div.)

Also Present: Helena Barthell, Hampton

COURT REPORTER: SUSAN J. ROBIDAS, N.H. LCR NO. 44

I N D E X

POSITION STATEMENTS:	PAGE
Ms. Brown	7
Mr. Gearreald	10
Mr. Cicale	19
Ms. Patterson	20
Ms. Barthell	23

P R O C E E D I N G

CHAIRMAN HONIGBERG: Good afternoon, everyone. We're here in Docket DW 16-123, which is Aquarion Water Company of New Hampshire, which has filed a Petition for Monthly Billing. This is a prehearing conference, which will be followed by a technical session. For the prehearing conference, we're largely going to just get the initial positions of the parties and deal with any preliminary matters that need to be dealt with. So, before we go any further, let's take appearances.

MS. BROWN: Good afternoon, Commissioners. My name is Marcia Brown, with Rath, Young & Pignatelli. And with me today is John Walsh, who is the Vice-president of Operations for Aquarion. To his right is Troy Dixon, who is the Director of Rates and Regulations. Behind me is Deb Kirven, who is the comptroller for Aquarion. And to her right is Carl McMorran, who is Manager of Operations for the New Hampshire Division, and then

1 McKinley Rowe, who is the Senior Regulatory
2 Compliance Specialist. Thank you very much.

3 MR. CICALÉ: Good afternoon,
4 Commissioners. Nick Cicale for the OCA. Along
5 with me today is the Director of Finance, Jim
6 Brennan.

7 MR. GEARREALD: Good afternoon. My
8 name is Mark GearrealD. I'm the Town attorney
9 in-house for the Town of Hampton. With me is
10 Town Manager Fred Welch, and also a member of
11 our public, Helena Barthell, who's from Hampton
12 as well.

13 MS. PATTERSON: Good afternoon.
14 Rorie Patterson here on behalf of Commission
15 Staff. And with me today is Mark Naylor, who
16 is the Director of the Gas and Water Division,
17 and Robin Descoteau, who is a utility analyst
18 in that division.

19 CHAIRMAN HONIGBERG: Am I correct
20 that the only intervenor is the Town of
21 Hampton?

22 MS. PATTERSON: Yes.

23 MR. GEARREALD: That's correct, so

1 far.

2 CHAIRMAN HONIGBERG: Have you
3 responded to the Town's Motion to Intervene? I
4 don't recall, Attorney Brown.

5 MS. BROWN: Well, if we haven't to
6 date, we do not object.

7 CHAIRMAN HONIGBERG: Anyone else have
8 anything to say about the intervention?

9 MS. PATTERSON: We have no objection.

10 CHAIRMAN HONIGBERG: All right.
11 We'll grant the Motion to Intervene that's been
12 filed by the Town.

13 MR. GEARREALD: Thank you.

14 CHAIRMAN HONIGBERG: Are there other
15 preliminary matters we need to deal with?
16 Someone's left us with some documents up here,
17 so I'm wondering if there's something we need
18 to do with those.

19 MR. GEARREALD: That would be me, and
20 that would be in reference to the Statement of
21 Position we'll be making. We'd like to refer
22 you to some of the data requests that have been
23 responded to so far. Thank you.

1 CHAIRMAN HONIGBERG: All right.
2 Anything else before we take preliminary
3 positions of the parties?

4 [No verbal response]

5 CHAIRMAN HONIGBERG: All right.
6 Ms. Brown, why don't you proceed. You can
7 remain seated. You don't have to stand. I
8 mean, it's up to you. But whatever is
9 comfortable.

10 MS. BROWN: I'm so used to standing.
11 Thank you, Chairman Honigberg and Commissioners
12 Scott and Bailey.

13 As noticed, this proceeding
14 regards Aquarion's request to change to
15 monthly billing from its present quarterly
16 billing practice on meter customers and to
17 also to move to billing in arrears rather
18 than billing in advance for its private and
19 public fire protection. I don't know if the
20 Commissioners recall, but back in 2001 there
21 was an investigation, a joint investigation
22 to barriers of water conservation,
23 co-authored by DES and the Commission that

1 looked favorably upon monthly billing. So
2 Aquarion finally has its software in place so
3 it can offer monthly billing.

4 Some of the benefits of
5 monthly billing are to increase the
6 information that the Company has, the price
7 signals that are given to customers. It
8 equalizes payment for customers; rather than
9 having a large quarterly bill, the monthly
10 bill allows that large quarterly bill to be
11 mitigated among three payments. The more
12 frequent billing also allows the Company to
13 track lost water better, and if customers
14 call with a large bill, perhaps from a leak,
15 monthly billing allows the Company to help
16 the customer detect that leak sooner with
17 monthly billing. As with any software
18 change, there are some other effects, such as
19 the change in working capital. And the
20 Company has asked that working capital be
21 deferred until the next rate case.

22 Other issues are, when you
23 move to monthly billing and you have payments

1 coming every 30 days, it is difficult to
2 issue a bill that has that total payment from
3 the prior month captured in it. So the
4 Company is proposing moving to changing its
5 billing to 25 days rather than 30 days to
6 allow the bills to contain that payment.

7 Lastly, the fixed charge
8 should go to a per diem charge, because if
9 you are looking at monthly billing in either
10 28 days, 30 days or 31 days, it changes, and
11 the per diem is a mechanism for applying that
12 fixed charge equitably among all the months.

13 So the Company is ready and
14 poised to implement this May 1, if possible,
15 to capture the summer customer load, to give
16 better price signals. So we would
17 respectfully request an expedited review. We
18 did file this petition in January. We
19 conducted one round of discovery with Staff
20 and conducted two rounds of discovery with
21 the Town of Hampton. So we think we are well
22 on our way to answering all of the concerns
23 that have been raised. Thank you for your

1 time.

2 CHAIRMAN HONIGBERG: Mr. Gearreald.

3 MR. GEARREALD: Thank you, Mr.

4 Chairman. The Town of Hampton -- I appear
5 through its selectmen -- contains three
6 quarters of the residential customers of
7 Aquarion Water of New Hampshire and has 268 of
8 its 481 hydrants. This petition for monthly
9 billing was filed January 24, 2016, and states
10 pretty much up front that there is not going to
11 be involved any increase in revenue as a result
12 of this. It is also clear when you go through
13 the papers that there is not going to result
14 any better quality of water, no better delivery
15 of water involved. The Company sets forth a
16 number of claimed benefits in Ms. Kirven's
17 prefiled testimony on Page 4, Line 13. If you
18 check those various reasons, some of which
19 Attorney Brown has just given, I would suggest
20 to you that these are more for the Company's
21 benefit than for the customers. The real
22 reason I would suggest to you that this is
23 being done is to make uniform the billing

1 practice within New Hampshire that is observed
2 in the Company's subsidiaries in Massachusetts
3 and Connecticut. This appears on Paragraph 6
4 of the monthly billing petition, on Page 3, a
5 mention of that. And also in Exhibit 1 that I
6 have given you are some data requests that we
7 have submitted to Aquarion. And the rationale
8 appears, that same rationale of making it
9 uniform appears in Hampton 1-8.

10 We submit, therefore, that
11 this is something being done for the
12 Company's convenience. However, there is a
13 significant cost for that convenience to
14 occur. Aquarion believes it should recover
15 these costs and not absorb them. This was
16 made clear to us in the public hearing that
17 the Hampton Board of Selectmen had on
18 February 22, 2016. Ms. Kirven, at Page 4 of
19 the transcript of that, mentioned the need to
20 recover whatever is incurred, as did Mr.
21 Rowe. And that is an attachment, that
22 transcript, to the very last document you
23 have in our Exhibit 1, which is our Statement

1 of Position.

2 Our position is that, since
3 it's for the Company's convenience and not
4 for customers, that the Company should absorb
5 these costs, not the consumers.

6 So, what are the costs that
7 are involved here? Mr. McMorran, at
8 February 22 hearing in front of the
9 selectmen, as it revealed on Page 7 of the
10 transcript, couldn't tell us that. So we
11 have followed up with some data requests, and
12 apparently there are changes in working
13 capital that in the petition, on Paragraph 8,
14 says amounts to \$23,169. Now, it sounded
15 initially, in that change in working capital
16 based on the difference in basis points for
17 what they will gain from being able to get
18 their money more regularly on a monthly basis
19 versus what they're paying out, the
20 difference is about 773 basis points. And
21 they made it sound like that's a one-time
22 thing, but obviously it isn't, because when
23 you look at answers to Hampton 1-4, it is

1 made clear that this is a recurring cost, and
2 so that until the next rate case, the
3 deferral being asked for makes it three times
4 \$23,169, because Aquarion isn't expected to
5 be before you for the next rate case until
6 2018. So, that's \$69,507 that Aquarion
7 wishes to defer and will wish to recover in
8 some fashion from consumers in the next rate
9 case. They describe it in their --

10 CHAIRMAN HONIGBERG: Mr. Gearreald --

11 MR. GEARREALD: Yes.

12 CHAIRMAN HONIGBERG: -- you do know
13 that this is a prehearing conference; right?
14 The Commissioners have virtually none of the
15 information that you are articulating.

16 MR. GEARREALD: Yes, and that is why
17 I have given that to you in exhibits, so the
18 ones I'm referring you to can be referenced.
19 And it's also to explain to you that it's not
20 as simple as it sounds, and also, that
21 therefore there should be not just an order
22 "nisi" as is suggested, but rather a full-blown
23 hearing, with the public invited, so that all

1 of this can be flushed out.

2 CHAIRMAN HONIGBERG: I think we're
3 well past the possibility of an order "nisi,"
4 given that there are, in fact, people objecting
5 to it. So it seems like you can put that
6 one -- you can rest easy on that one.

7 MR. GEARREALD: Thank you very much.
8 Wasn't sure what the Commission would do, but I
9 appreciate that.

10 So, just for significant
11 increases that are being mentioned so far,
12 there's a postage increase from 38,000 to
13 85,000, a difference of 47,000. That will
14 continue on from year to year.

15 So, the big point I'd like to
16 make to you in regard to all this is that
17 Aquarion would like to pass this on to the
18 next rate case, decide it then. However,
19 that's going to be embedded in the rate.
20 They say so in their own answers to data
21 requests. We have taken the position in the
22 past with regard to the WICA charge which
23 we've opposed, that when you put this on a

1 spread-out basis over time and the WICA
2 charge is spread out over 83 years, it
3 pancakes increases all along into the rate.
4 And in fact, you're not paying just 69,000;
5 you're paying over and over again. And that
6 is a major concern of ours which we've
7 expressed on WICA. And it's sort of like
8 taking a loan out on a car and paying for
9 that over that number of years and paying for
10 that same car many times over. So we're
11 concerned that that deferral of working
12 capital allowance, without clear direction
13 from the Commission as to how that's to be
14 handled, will end up costing the consumers
15 big time.

16 And so there are a couple of
17 other concerns I'd like to mention, one of
18 which has to do with the fact that moving, as
19 the Company proposes, moving from in advance
20 to in arrears on public fire moves the
21 bill -- in Hampton's case for hydrants,
22 \$250,000 twice a year -- to January of the
23 next year. That really messes up our

1 appropriations cycle, which you ought to know
2 we're on a calendar year. Our townspeople
3 set the budget in our town meeting in March.
4 The DRA sets our appropriations in what we
5 get for a tax rate in October based on what
6 was said at the town meeting in March. So,
7 if the bills are set forth in arrears -- are
8 going to be in arrears instead of in advance,
9 that throws us off. If we're being billed
10 for something in 2017 that was incurred in
11 2016, we've really got to -- we're going to
12 have to budget phenomenally carefully to
13 still have that money left by the end of the
14 year. New Hampshire is one of those states,
15 as you know, where we get a tremendous amount
16 of snow at times and we have to pay that.
17 Sometimes we don't have that money left at
18 the end of the year. As is, we have a
19 tremendous amount of frugality they have to
20 do at the end of the year. Our manager this
21 last year, in light of the snowstorms last
22 year, made us stop spending money in
23 September --

1 CHAIRMAN HONIGBERG: Okay. We've got
2 that as one of the issues you're going to
3 litigate.

4 MR. GEARREALD: And the next item has
5 to do with the -- we suggest that it would be a
6 good idea to have a public hearing on this. We
7 invite the Commission to come to Hampton, as
8 you have before, to conduct the hearing and
9 hear from the consumers themselves if there are
10 any problems with this. Ms. Barthell, I thank
11 her so much for coming here today. But it is
12 very hard to get people up here for this. And
13 it would be very helpful for the Commission to
14 be there on the ground. Thank you so much.

15 And I wanted to just point out
16 one last thing of we're concerned about the
17 rate increases. I show you Exhibit 2, which
18 is a history of the rate increases that have
19 occurred both in rate cases and in WICA
20 charges since 2006, a ten-year period. And
21 this involves, if you added up just simple
22 interest -- and I know there's some
23 compounding factors -- at 69.75 percent.

1 It's a lot in 10 years. And that's our
2 concern, that every little bit that comes in
3 gets stuck in the rate in the long run is
4 really going to hurt. Thank you.

5 CHAIRMAN HONIGBERG: I have a
6 question for you.

7 MR. GEARREALD: Yes, sir.

8 CHAIRMAN HONIGBERG: You submitted a
9 letter from Regina Barnes, who is a member of
10 the select board, as I understand it, very
11 substantive, lots of issues raised, which I
12 gather are subject to the data requests, which
13 of course doesn't mean anything until I saw the
14 data requests that you attached. I'd be
15 interested in what the last paragraph of this
16 letter means.

17 MR. GEARREALD: Well, I will ask her.
18 But her perception of it is that New Hampshire
19 is a different kettle of fish than these other
20 two states. Financially, they're much less
21 sound than New Hampshire. If we try to emulate
22 their examples, we may be going down the same
23 road.

1 CHAIRMAN HONIGBERG: And so, in her
2 view, the states of Connecticut and
3 Massachusetts are literally bankrupt. This is
4 not some metaphor or something like that.
5 She's literally saying insolvent?

6 MR. GEARREALD: That's her -- in the
7 traditional bankruptcy sense of do you have the
8 cash to cover your liabilities, that would be
9 true. I'm sure that's what she meant.

10 CHAIRMAN HONIGBERG: Mr. Cicale.

11 MR. GEARREALD: By the way,
12 Mr.Chairman, just so you know, that letter is
13 part of Exhibit 1, right after the data
14 requests.

15 CHAIRMAN HONIGBERG: All right.
16 Thank you.

17 MR. CICALÉ: Good afternoon,
18 Commissioners. The OCA stands in support of
19 the Company's application in this docket.
20 We're going to look at the issues carefully as
21 they're presented. We believe that this
22 application takes this Company forward, and its
23 customers can expect to receive a much more

1 modern treatment. They can adapt their billing
2 practices quarterly, and it gives customers
3 much more notice as to what they can expect
4 from each bill month to month, rather than
5 quarterly. And the OCA thinks that that is
6 prudent and important for the Company's
7 practices. And, you know, it's also important
8 that the Company, in order to save costs and
9 thus save their customers costs, can go forth
10 and have a unified billing practice system that
11 their customers can rely on, on a monthly
12 basis. It will allow their customers to plan
13 their expenses better, save more water and be
14 conservative. OCA is willing to listen to
15 other intervenors' concerns as they arise, or
16 residential customers, but as it stands right
17 now, we're very supportive of the Company's
18 application. Thank you.

19 CHAIRMAN HONIGBERG: Ms. Patterson.

20 MS. PATTERSON: Thank you. Staff
21 generally is supportive of monthly billing for
22 the reasons that are mentioned already by my
23 colleagues in the room. We do have some areas

1 of the Company's requests that we will be
2 paying close attention to, and so we require
3 further information to take positions on those
4 at this time. But we're prepared to do that
5 and provide you with a recommendation at some
6 point during the course of the proceeding.

7 CHAIRMAN HONIGBERG: Thank you.
8 Unless there's something else you need from us,
9 we will leave you to your technical session.
10 We certainly hope you'll develop a reasonable
11 schedule for getting the matter processed as
12 quickly as possible. Understanding the
13 Company's desires are different from the
14 Town's, you'll have to work together and do
15 what you can to come up with a schedule. And
16 if you can't, we'll offer one.

17 Yes, ma'am.

18 MS. BARTHELL: I just wasn't sure, if
19 I wanted to say something, if this was the time
20 now, because it sounded like you were about
21 to --

22 CHAIRMAN HONIGBERG: I was, and I
23 didn't realize you wanted to say something.

1 We'd be happy to hear from you. Are you
2 interested in participating in the case as an
3 intervenor and actually getting involved in
4 asking questions of the Company and making a
5 formal presentation, or is your interest mostly
6 in providing comment on what's going on?

7 MS. BARTHELL: I wasn't aware I would
8 have the opportunity to be an intervenor. I
9 would be interested because I would like to
10 understand the filings that Aquarion has given.
11 But I was invited here by the Town because I
12 had given comments at the town meeting, and
13 they felt those were valid.

14 CHAIRMAN HONIGBERG: All right. So
15 here's what I'm going to suggest: I'm going to
16 ask you to give us your comments in a few
17 moments. But when we're done, if you'll speak
18 with the lawyers in the room, the
19 representatives of the Company, Staff, the
20 Office of Consumer Advocate, and the Town's
21 lawyer, and discuss with them the best way or
22 what the options are and how they might meet
23 your objectives, then you can decide how you

1 want to proceed from there. Does that sound
2 reasonable?

3 MS. BARTHELL: Thank you very much,
4 that is very reasonable.

5 CHAIRMAN HONIGBERG: Then why don't
6 you provide us with your comments at this time.

7 MS. BARTHELL: Thank you. I'm Helena
8 Barthell. I'm from 33 Dover Avenue, Hampton,
9 New Hampshire. I have a bachelor's in chemical
10 engineering from Columbia University and a
11 master's in accounting from Georgetown, and
12 I've worked for water utilities as a project
13 manager for Citizens Utilities, which at the
14 time was based in Stamford, Connecticut. So
15 I've had an interest in this field. And in
16 reading the -- and an interest now as a private
17 citizen in keeping my rates reasonable and
18 down. And while I understand the kind of
19 intangible benefits of switching to monthly
20 billing that the Company makes that were very
21 valid about, you know, you see leaks sooner and
22 you can budget better, et cetera, my real focus
23 is the rates going up because of the working

1 capital change. In the Company's documents,
2 they show a working capital difference of
3 \$228,269, and then they want to recover because
4 their pretax rate of return is 10.15 percent.
5 That's where we get the \$23,169-a-year cost.
6 And originally I wasn't clear what Aquarion
7 wanted to recover, the full 28,000 and change
8 or -- but it looks like what they are choosing
9 to do, from my understanding, is they want to
10 embed that \$23,169 as a recurring annual
11 expense. As they said, if their rate case is
12 in three years, they would keep track of this
13 and then be coming forward with about \$69,000
14 that they want to recover. And as our Town
15 Attorney, Mr. Gearreald, said, this change
16 going from -- is done for the benefit of the
17 Company. And I just don't see why the people
18 of -- the ratepayers and the people of Hampton
19 would have to pay this extra \$23,000 a year in
20 perpetuity. So that was why I came here, to
21 ask that that not be allowed to happen because
22 it's unreasonable.

23 CHAIRMAN HONIGBERG: Understood.

1 MS. BARTHELL: Thank you.

2 CHAIRMAN HONIGBERG: Is there
3 anything else or anyone else who wants to offer
4 anything at this time?

5 (No verbal response)

6 CHAIRMAN HONIGBERG: If not, we will
7 leave you to your technical session and
8 adjourn. Thank you.

9 (Hearing concluded at 2:01 p.m.)

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